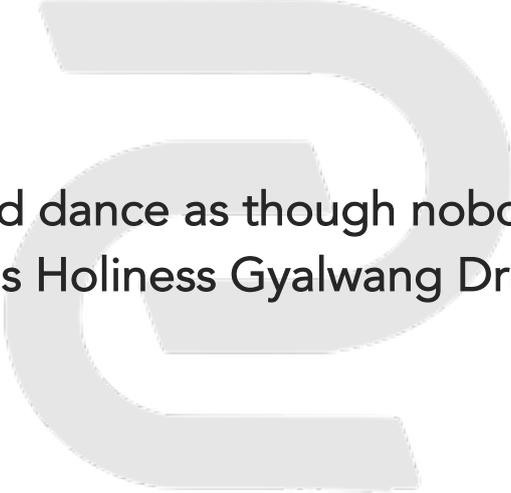




# THE METACURRENCIES

& THE EMERGENCE OF DIGITAL 3-DIMENSIONAL PAYMENT VALUES

BY CHEN QING



“Pick a song and dance as though nobody is watching.”  
– His Holiness Gyalwang Drukpa

# The Metacurrencies

& The Emergence of Digital 3-Dimensional Payment Values

By Chen Qing ([9@Dunaton.com](mailto:9@Dunaton.com)<sup>1</sup>)

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<sup>1</sup> In order to engage and harness a multi-lingual customer base, Dunaton.com does not have any letter-based e-mail addresses. E-Mail addresses beginning with the number 1 denote senior management, those beginning with the number 2 denote staff, and those starting with the number 3 are media and investors; those starting with 8 and 9 are founders and all other numbers are ascribed to Dunaton customers.

## Part 1: The Emergence of Digital 3-Dimensional Payment Values

### Preface: The World's First Digital Financial Product Marketplace

*Dunaton is an ancient Greek conjugation of the Biblical word meaning “mighty”, “powerful”, “excelling”, “strong” and “possible”. These are the words that for us summarize what the world's first ever financial products marketplace looks and feels like. It is mighty and powerful in the way it disrupts traditional capital raising events; it's effects on the financial markets and on the way in which start-ups and consumers monetize their assets will be stronger than any financial revolution that has taken place to date, and as a result almost anything – any situation, any purchase, any dream – is made possible by such an innovation coming to market.*

*Picture the following story: in January one year, overspent and under-liquid following some particularly grueling Christmas season expenses, a man in London securitizes his wine collection and sells it on Dunaton. By March, this gentleman had used the digital assets obtained from his securitized wine sale to invest in a number of the metacurrencies listed on the Dunaton Companies Market, which included a variety of eclectic choices. Instead of wine, he now owned a portion of a factory in China, a basket-weaving enterprise in the Philippines, a tech company in Tokyo and a sand provider to five star hotels across the world that was based out of Africa. By the end of June, just as the weather was getting warmer and the British pubs were starting to spill out over the sidewalks with merry patrons, a few of these companies paid out some handsome dividends in digital gold and silver thanks to recent publicity from the news sites which drove product sales before the subsequent holiday season.*

*In July, the investor converted the securities into the tokens of the companies he owned via effecting a share-crypto trade after a brief crypto sell-off. When the firms he had invested in raised more capital for expansion, far from finding himself diluted out of existence, his tokens spiked up, earning him even more money. That seemed somehow more just than his regular stock market holdings. Just the company tokens peaked over 400% higher in a few weeks, he got out and decided to use the excess profits to increase his risk a little. He speculated on some interesting start-up project ICOs via purchasing token issuances first. During the final quarter of the year, from September to November, he was able to convert back from tokens into shares via partaking in crypto-to-company pre-IPO purchases with his meta cross notes. In one case a company that had raised far more than expected at one of the ICOs he had participated in was able to pay out one-time special dividends just before the final holiday season of the year!*

*By December, he was able to use his profits to repurchase his wine collection in digital form and to lay it out on the table for Christmas. But first, he bought a brand-new house to host the whole family for a lavish Christmas celebration that would have been impossible before.*

*It was amazing because none of this was done using any debt at all: simply a few cases of wine left over from the previous Christmas dinner party had made him rich! This story is not possible to tell today of course, but it will soon be the case that it is. It is the simple story of mighty, powerful dreams being fortified via the endless possibility of a truly interconnected global financial product marketplace where utility is connected immediately to real value and*

amplified across a global product marketplace. It is the story that will be told again and again at Dunaton.com – the world’s first digital financial product marketplace.

## Introduction: Creating An Internet of Things (IOT) Economy

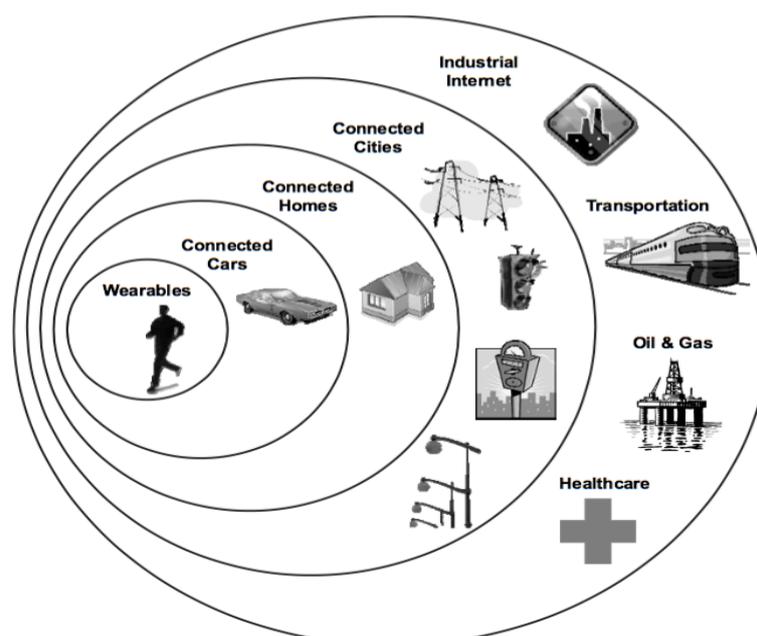
In 2013 Bitcoin began to pop up onto the global radar of most traders across the world when it hit the high three-digits. It was around this time that a North Chinese coal mining magnate who had just purchased a sprawling commercial-scale French vineyard first turned our attention towards cryptocurrencies. One evening, over a six-course Shanghainese dinner washed back with a few bottles of King Star Bordeaux, the subject turned to Bitcoin.

If only Bitcoin contained some sort of identifiable value, we complained, it would be comprehensible. Being used to trading gold – the very definition of economic value – the idea that Bitcoin’s payment utility network would by itself hold up a multi-trillion-dollar market forever seemed – and still does – a little far-fetched. Our host was as unimpressed by our remarks however as were we with his taste in vintage French wine.

The theme stuck and in a series of talks we held in the winter of 2014, the central question we sought to explore was: *how are we meant to pay for an Internet of Things (IOT) using the current financial architecture we have in place?* Nearly three years on, and we don’t know anyone who’s any closer to answering that question than we were back then mostly because there is no value transference on Blockchain.

Another of us has owned several large manufacturing and industrial enterprises for over two decades now in the Far East, and we cannot help but notice the impracticality of the sheer lag time between obtaining bank financing, hiring appropriate purchasing and inventory management personnel and training them to execute on delivery while the sales force goes out into the field to catch whatever business they can. Clearly, a new model for financing the

FIG 1: THE GOLDMAN SACHS IOT MODEL



world’s economic growth is long overdue if the promise of the virtualized economy is to be fulfilled in anything like the scope that has been presented by some.

In a September, 2014 report titled *The Internet of Things: Making sense of the next mega-trend*, Goldman Sachs economists Simona Jankowski, James Covello, Heather Bellini, Joe Ritchie and Daniela Costa wrote: “Personal lives, workplace productivity and consumption will all change. Plus, there will be a string of new businesses, from those that will expand the Internet “pipes”, to those that will analyze the reams of data, to those that will make new things we have not even thought of yet.”

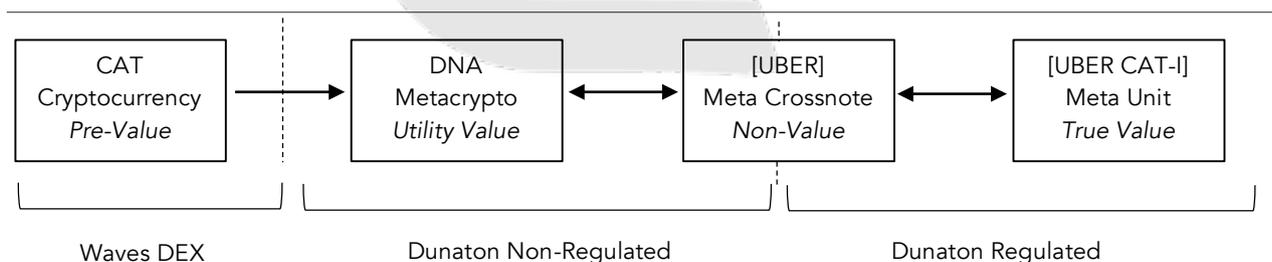
None of us was in any doubt this was the case. So, we went out in search of what we had not even thought of yet. What we came back with after our separate but collectively interpersonal half-decade of commercial experiences is nothing short of a landmark in economic history: the first ever 3-Dimensional currency, in which placement payment, profit of value is all enabled at the same time in continuity.

A working value proposition to such effect would probably look a little like the world’s first digital financial marketplace, on which everything could ultimately be securitized and traded – even junk itself – and underneath which the final fabric of the economic order of yesteryear will quickly unravel. In other words, there must be an *Internet of Things Marketplace Economy* before an Internet of Things itself can come into being.

### I: Value Blockchain Dynamics

Blockchain is a type of value chain for digital assets. We are only able to identify this chain via the sequence of events that take place over the metacurrency manufacturing process and lifecycle however.

FIG 2: BLOCKCHAIN DYNAMICS OF METACURRENCIES



Assume that we start with a cryptocurrency called a Collateralised Asset Token (CAT). The CAT is listed on the Waves Decentralised Exchange (DEX). Initially, CAT is always backed by its gross volume weighted average price (VWAP) in British pounds.

Fiat backing of the token serves two purposes: it allows the Blockchain ecosystem to accrue immediate value from the outset in the form of an ex-Blockchain payment value and it also serves to guarantee the purchaser of CAT with a full or partial refund in the event of non-delivery of the product offered, in this instance the Dunaton Marketplace.

Once the Dunaton Marketplace is opened, CATs may exchange for DNAs, which are utilisable for purchase of company non-value digital currencies (meta cross-notes). The metacurrency

cross-notes are finally the offered purchase currency for digital currencies of true value, or security tokens.

The CAT that is captured and offered for exchange with DNA may be recycled and resold, producing more Fiat currency backing which is held by a regulated Financial Conduct Authority (FCA) brokerage. This aspect of recycling is particularly interesting as over time, RAT, and by association DNA as well, will accumulate increasing quantities of reserve Fiat as underlying value. This underlying value loading mechanism of DNA will serve to gradually support securities prices in a way in which current digital asset markets are not conventionally supported.

## II: A Currency-Based Solution for IOT Market Economics

A cryptocurrency, defined most often by the payment utility that it is employed in effecting, is in fact more a unit of non-value than anything else. Understanding its status as a unit of non-value is essentially to comprehending the difference between cryptocurrencies and what we call metacurrencies.

Metacurrencies stem from the Greek *meta-*, which means after, behind, changed, altered, higher or beyond; most often it means something has changed somehow in terms of its placement or condition in the logical order of the universe.

Metacurrencies are the world's first expression of a 3-dimensional currency. In order to understand this, it is helpful to regress the dimensions of currencies as they have been used in society throughout time.

## III: Currency Dimensions

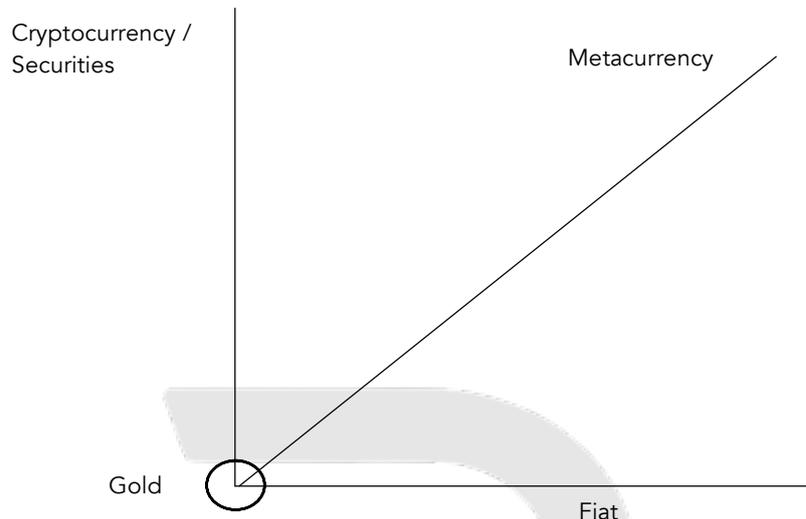
A currency with zero dimensions of value is gold or any other commodity source. It should be noted that by ascribing a currency a value dimension we are not suggesting that it is in any way superior to or inferior to one of a higher or lower number of value dimensions. Depending on the circumstances each has prodigious advantages and sometimes impractical levels of drawbacks for use as a mechanism of value ascription.

When we say then that gold or any commodity is a 0-dimensional currency what we mean is that it has no dimensions of value other than its own core function as is. Gold is gold, it is not anything other than its own weight and mass. That we ascribe fundamental value to this core unit of mass is indeed what underpins a good deal of today's global economic stability.

Fiat cash is a one-dimensional currency. That is to say, Fiat currency contains one existing dimension of value to gold. This dimension is its supply. Unlike gold, where supply is subject to prodigiousness of mining explorations or some other mechanism wherein the natural rates of availability are applied to its value, Fiat currency can be increased in supply significantly by a central government at any point almost without notice. We are not here interested to get into a debate about the virtues of central banking or the unpegging of the gold standard in the early 70s by president Nixon.

Rather let it remain observed neutrally here that this controversial advantage a central bank holds over exercising this one extra dimension of value – wherein it can increase or reduce supply rapidly of the currency at will – shows the sheer power that adding just a single dimension of value into a currency equation has.

FIG 3: CURRENCY DIMENSIONS



A 2D currency is a cryptocurrency or a security. The relationship between cryptocurrencies and securities is one that once again, has gathered a substantial amount of government interest in recent years. This is not because of the similar features shared between the two assets – on the contrary, they could not be more polar opposite from one another – but rather because the appearance of both assets as two dimensional currencies masks the real purpose each potentially holds in any given economic equation.

The potential that two-dimensional currencies hold in terms of potential ascription of value is that of an investment product.

Securities are investments in an asset of an infinitely dilatable status hopefully increasing in value as a result of income-generating activities; cryptocurrencies are investments in the potential usage of an asset of often finite availability being employed in some sort of process mechanism of digital payment. Thus, the extra dimension that a 2-dimensional currency has over a 1 dimensional currency been that in and of itself it qualifies as an investment.

While these are entirely divorced from one another specifically with reference to their purpose and fulfilment of roles, they are nevertheless both currencies that have pre-defined or alterable supply quotas while also being currencies that double up as investments. Here the keen reader will suggest, *wait a second: gold, oil and other commodities are investments, are they not? And so, come to think of it are Fiat currencies? But commodities, you suggest, are somehow 0-dimensional and Fiat currencies just 1-dimensional?*

To such readers, once again, we do not hesitate to highlight to you the power that additional dimensions of value have over changing the nature and function of value within the global economy!

The reality is that gold, oil and other commodities, as for Fiat currencies too, are only investments when they are securitized or similarly represented in derivatives demand-side and supply-side contracts. If we remove the derivatives purchase and sale functions from such assets they remain non-multi-dimensional currencies. It is only when they are translated into second dimensional currencies via the process of alternate representation for the purposes of speculation and/or management of future value risk that multidimensionality is the case in such assets.

Taking this observation into context then, if the first dimension of value re-occurrence is supply and demand, then the second dimension of value re-occurrence is therefore value representation, or, in summary, value itself. This is why so much of our modern economic life revolves around bargaining, bartering and selling at just the right time.

It is also clear that something rather strange occurred with the arrival of Bitcoin on the global investment scene around 2010. This is to say, while the theme of two-dimensional currency remained more or less the same – that being some sort of mechanism of Fiat-traded investment value being employed – the emphasis from income to non-income, from value to non-value shifted almost 90 degrees. This is the very nature of a disruptive technology.

The type of technological innovation that creates disruption is one that doesn't completely redefine the passage of current events but rather, cuts a narrow path down the center of existing status quo. A radical innovation on the other hand completely upends the entire paradigm upon which all current economic activity occurs.

While cryptocurrencies were disruptive to global economic activity, they were certainly not radical. This is where metacurrencies are different. Unlike their cousin cryptos, metas are radical innovations, harnessing both the power of the Blockchain and making sweeping changes to the fabric of existing valuation methodology and the practice of investing in it.

What is the third dimension of value? Given that it is involved with the fractionalization, splitting and reunification of value via its crypto-enabled payment utility bias, it is clearly some form of value transference. Thus. Payment can be considered to be the third dimension of value.

How does this third dimension of value work? Unlike its security cousin a meta is not two-dimensional in value construct, meaning that a meta is not a binary unit of value. It is in fact constructed precisely to play the two aspects of value and non-value present in second-dimensional currencies off against one another, and in doing so, metacurrencies gain their characters as three-dimensional currencies. What is means is that when a metacurrency is in cryptocurrency form – i.e. traded as a unit of non-value – it is in such a form in order that it can trade against a security meta for the purpose of effecting a purchase or sale of the security. In security token form, it is a non-value meta that is purchased by or sold to the

holder of the security; this holder can then cross back over to an unregulated market and trade the unit of non-value against other cryptos.

In summary, zero-dimensional value is the asset itself without value; first dimensional value is at the point of the supply-demand equilibrium (however hypothetical this may in fact be); second dimensional value occurs at the point that a currency achieves a specific net asset value; and the third dimension of value is where the net asset value, altered by somehow affecting the supply-demand equilibrium of the asset combined with affecting the supply and demand equilibrium of the non-value of an asset produces a new form of value to which we can ascribe meaningful economic activity that was not possible to do beforehand.

## Part 2: The Metacurrencies

### IV: Defining Metacurrencies

We define a metacurrency as a Blockchain asset wherein external value to that of the network upon which it runs or the technological habitat in which it resides is somehow present and multifariously represented in a way that could not be otherwise so. Metacurrencies trade against both cryptocurrencies and against Fiat, and contain one additional dimension of value.

This dimension is the value ascription that can be assigned to the varying categories of value that constitute securities ownership. Thus, a non-value currency can be traded against a company's income currency and asset currency separately, while being somehow united by way of the non-value currency being the intermediary trading pair. This aspect of the non-value/value status of metacurrencies combined with the dual trading possibility such assets contain are what make them the first ever fundamentally 3 dimensional currencies brought into being.

### V: Metacurrency Structures

Fractional value certification is a much more complex process than one where value is lumped together in one whole unit.

What we mean by this is that, when dividend, asset, special dividend and some fixed income values are all parsed out, there is a significantly higher likelihood in the process of incurring big swings in over- and undervaluation. This process is one we believe may lead to a fundamental reorganization of how we think about the modern corporate entity.

Already, Google has started to move towards conglomeration, and other conglomerates, although typically unloved by analysts, are doing well, too.

Hutchison Whampoa in Hong Kong, Virgin in the United Kingdom and of course Berkshire Hathaway in the United States are all various examples of successful conglomerates that have proven that this mutual process of combining value into one operating arena and then re-apportioning it out private equity fund style often serves the common interest more so than say, lumping in the good with the bad and hoping that the good pulls up the less spectacular over time.

If we imagine a metacurrency trading platform then it probably looks somewhat like a hybrid crypto-stock exchange, with a cryptocurrency *C* traded against a meta cryptocurrency hybrid *MC*, which is then used to purchase a metacurrency of non-value orientation *MX* (what we call a cross-token due to its dual regulated/non-regulated market status), which in turn is sold to fund the purchase of and/or development of the various aspects of value traded in the regulated metacurrency markets (the security component), which it is easy enough to divide up into categories *I, II* etc.

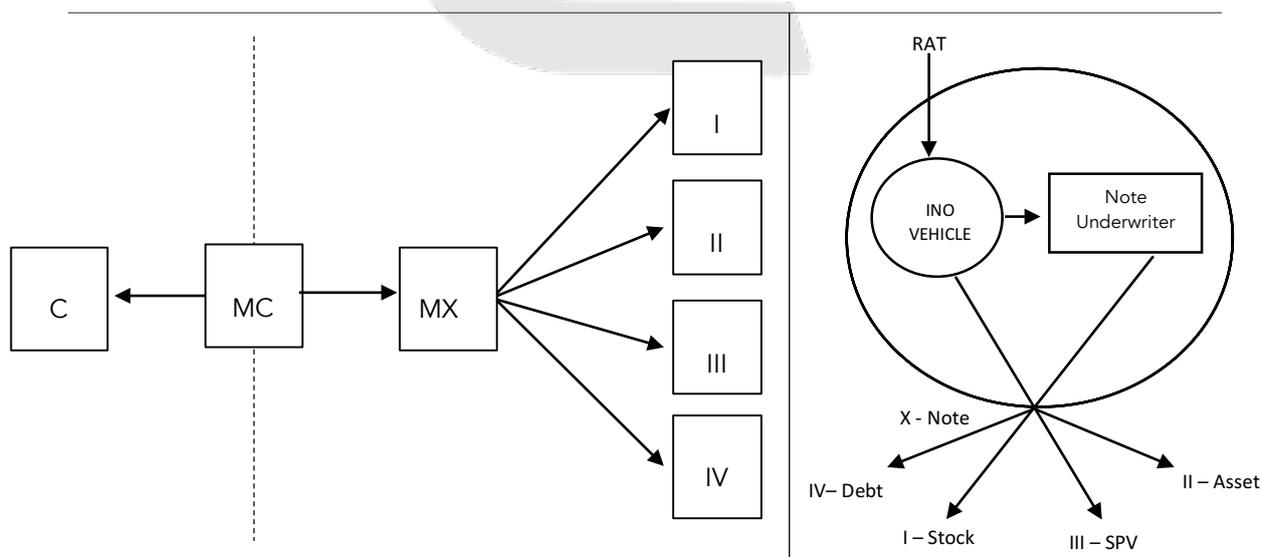
How might a metacurrency-based organization be best structured? As we have discussed, structuring such forms of divided value centers on conglomerating the value first to a certain extent.

This would entail the structuring of a combination of limited liability partnerships, management companies and limited liability corporations. For instance, a note issuance vehicle could be structured as a pure LP which is managed by an externally situated general partner LLC and wherein the limited partner of the LP is an internally-structured LLP.

The LLC would sell the externally-managed LP shares or dividends and the LP would then pay out the internal LLP. If the LLP is situated somewhere such as Luxembourg then there is the possibility that it can issue shares, giving the beneficiaries tax relief in the form of personal income tax that may be otherwise paid if the LLP issued units instead.

The LLP would then issue a variety of securities categories, and, being the sole beneficiary of the LP and the LLC which it would be the de facto majority owner of, value metas could easily be produced separately but interwoven with the non-value metas.

**FIG 4: A METACURRENCY EXCHANGE & VEHICLE STRUCTURE**



If this does not strike you as intuitive or even comprehensible, that is understandable. We are after all talking about structuring possibilities related to forms of tradeable value we have never recognized before as being independently tradeable. The point here is not to necessarily grasp the specifics of legal, tax or asset value structures however, but moreover

to recognize that recent innovations in the offshore vehicle structuring space, in particular for some reason in Cayman Islands and in Luxembourg, which are the center for most hedge funds, private equity funds in operation today, make such divisions of value in digital unitized form entire plausible.

## VI: Collateralised Asset Tokens (CATs) & Revenue Asset Tokens (RATs)

We have chosen to partner with a financial services firm with permissions to deal in investments.

Every CAT issued is backed with one British pound which is placed in a secure account and is available to Dunaton and its regulated partner only at the point of the exchange being launched. This process both provides critical early-stage value support and in addition to that it protects holders against non-delivery as has been the case too often with ICOs in recent times.

New CATs will be issued for sale twice a year: once at the start of the second quarter and once at the start of the fourth quarter. At the start of the fourth quarter the price of the CAT will be a 10% discounted 30-day moving average value of the CAT traded at Dunaton Exchange, a meta-exchange that is regulated.

Twice a year, at the start of the third quarter and the start of the first quarter, new loans will be issued against the most recently issued collateral that is held in the form of the RATs.

Thus, if in April 2018 there are 100,000,000 CATs issued, an identical secured 100,000,000 RATs will be issued to trade on the regulated side of the exchange against securities on offer. The rates of interest will be reflected in the margin captured at the point of the CAT sale. For sale at the ICO, the way in which margin is captured by the regulated party is as follows: the payment currency's 24 hour high minus the payment currency's 24-hour low is subtracted from the price at the point the tokens were submitted for purchase.

The funds are deployed in creating 1-for-1 CATs to the nearest whole number. For example, assuming that 1,000 Bitcoin was received for the purchase of CAT at \$7,083.80 / BTC, with the high being \$7,135.47 and the low \$6,816.58, then the margin is \$383.89. The purchase amount is therefore:

$$\begin{aligned} & \$7,083.80 - \$383.89 \\ & = (\$6,699.11 / 1.40570) * 1000 \text{ BTC} \\ & = 4,766,000 \text{ pounds} = 4,766,000 \text{ CAT} \end{aligned}$$

Once these British pounds are securitised in the form of CAT, assuming a constant margin rate around this level we could expect the interest rate for the securitisation to be around 5% per year since this is the relative margin made off the \$6,699.11 transaction. By trading with counterparties, we will be able to further re-loan such monies out to other interbank counterparties at superior rates of interest and thus collateralise additional securitised debt issuances. In addition, we will also be able to repurchase its own share of CAT tokens which will sit on the balance sheet for the duration of the year and which in and of themselves will most likely be securitised for immediate liquidity.

CAT and SEN are important instruments for any sort of value trading, since the stability of the pound note will enable the metas trading at Dunaton to maintain robust valuations. While this is not essential within the world of cryptocurrencies, where value is absent, in securitised Metacurrencies value effectiveness is a serious priority.

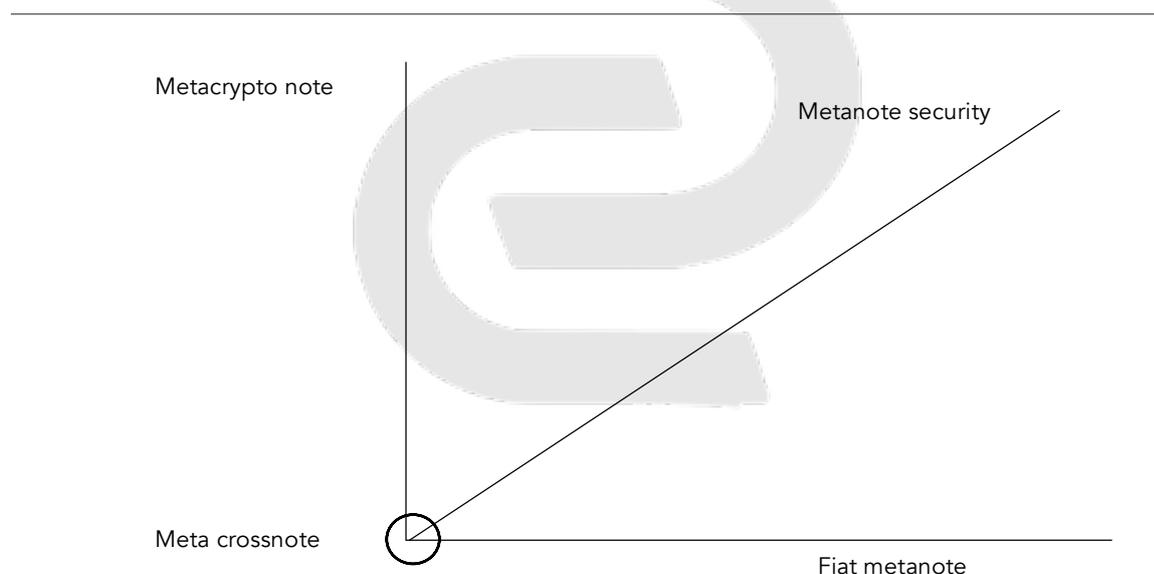
## VII: Manufacturing Metacurrencies

Metacurrencies are unusual in that they are collectively an expression of both securitized value and non-securitized (usually) non-value assets.

Thus metacurrencies, while by and large as a category involve considerable amounts of token securitization, are not in and of themselves securities, but rather, collectively a kind of loop of value that exists in both real-world form and digital form.

Just as coins migrated to notes with the advance of Fiat currencies and the subsequent inflation incurred on the US dollar and other sovereign reserve currencies of similarly growing countries during the 20<sup>th</sup> century, so can we ascribe the term Notes to metas.

FIG 5: METANOTE TYPES



The first types of notes to be represented are the fiat metanote (the RAT) and metacrypto note. These notes provide essential payment utility functions for the metanote securities that trade on the regulated side of the exchange. The various metas are in fact replacement notes for alternate traditional economic units of value: by constructing an ecosystem of economic value in Blockchain form the notes serve to recreate the activities of the global economic system in a digital form.

CATs are paid for in any form of cryptocurrency which is converted into pounds in the way we have discussed above. A metacrypto note is a specific unit of digital value that trades against all other meta issuances. We call our own metacrypto note by an acronym of its status, a

Digital Note Asset (DNA). DNA is thus the fabric of the 3D exchange wherein all our metas are traded in this example.

Our metacrypto note DNA would also ideally be the unit of payment that would be accepted in return for trading on the 3D currency exchange and have some sort of value-loaded quality.

For instance, where a unit of crypto was used to purchase the primary issuance of RAT, then DNA might retain a portion of that crypto for re-exchange at a future date and time even as most of the crypto was converted into pounds and received by Dunaton at the point the exchange went live.

The crypto portion that underlies the metacrypto DNA provides it with the necessary value-loaded character that gives it a fundamental base value, at the same time as the metacrypto inheriting the pound-loaded value factor of its cryptocurrency predecessor CAT. Base value is important for metas since one of the key distinctions of metas vs. cryptos is their value-loaded or value-implied character.

For instance, if 1 ether was used to purchase a metacrypto note and the metacrypto note retained via smart contract some fraction of the ether – say, 0.1 ether – then it is unlikely that the metacrypto would fall below the value of 0.1 ether and if it did then the metacrypto note would represent immediate value to the purchaser.

Value-loading of the metacrypto note in turn therefore affects the values of the other metas being traded on exchange because it provides a minimum value of price support upon the purchase of metas via the implied value in the purchasing agent.

The way in which value runs within digital assets is not well understood by purchasers of such assets so we will take a minute to explain it.

When a bitcoin purchases an ether, the Fiat value of the bitcoin is a significant factor in determining how that purchase event affects the consequent value of the ether after the purchase. Imagine for example that 1 bitcoin purchases approximately 10 ETH, and now imagine the bitcoin is selling for \$20,000 / bitcoin.

The market capitalization of the ether is now \$20,000 higher after 1 bitcoin has purchased it. Now imagine that the bitcoin is only selling for \$10,000 at fiat value. The same purchase event has had half the level of impact on the pricing of the unit of digital currency it has been used to purchase.

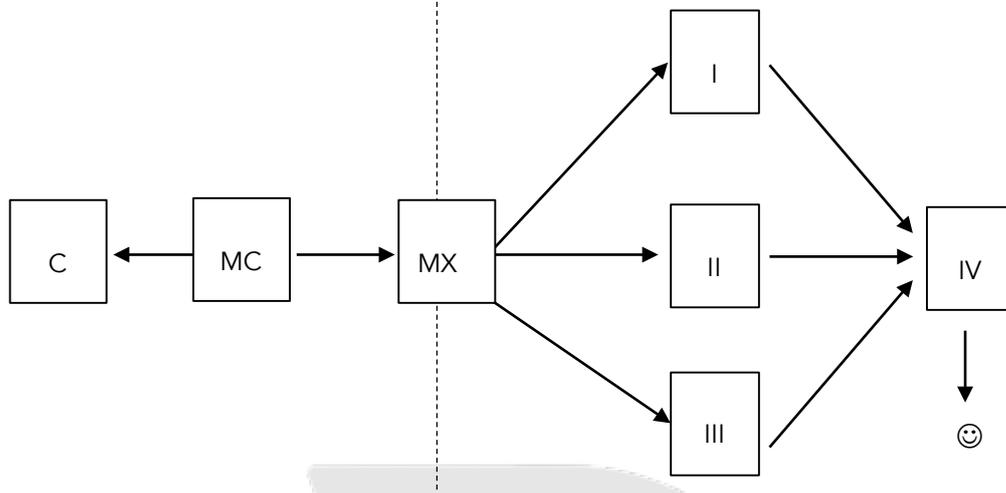
Therefore, the base value of the underlying currency pair that is used to purchase the majority of digital assets is a very important factor in the value increase or decrease of those assets.

By implying a minimum value via the storage of some form of value in a smart contract, the base value of DNA is always maintained at a very minimum level.

The minimum level will factor in the value support that is offered to the other metas that DNA is used to purchase.

Note that because the smart contract contains the unit of crypto that the meta can switch for (upon which event it would be destroyed) and is not in any sense therefore backing DNA.

**FIG 6: FRACTIONAL ASSET VALUES**



Rather it is providing an option wherein DNA can be exchanged for some minimum crypto value, DNA is therefore not a security. This means that DNA can be used to effect purchases both on the regulated and the unregulated sides of the exchange.

Metacurrencies are unique in that they comprise both digital assets which are securitized and assets which are non-securitized. The way we here imagine the construct of a metacurrency group is just one way in which such metas might be constructed therefore; in reality, there are perhaps hundreds and even thousands of variants.

First, we require a meta cross token that can be traded both as an unregulated cryptocurrency in the unregulated cryptocurrency market and as a security on the regulated market side against the unique value categories of its own meta group (e.g. Uber Category I tokens, or Uber dividend shares). Imagine for example a share of Uber is obtained for the purpose of metacurrency exchange. We can either trade the share of Uber as an individual common share, or we could separate the common share into individual strings of value.

There are three strings of value in a common stock: income value (dividends), control value (votes) and asset value (book value). However, it is also possible that someone may decide they wish to hold all three value strings in one token, exactly the same way they hold them in a share of common stock.

For this purpose, we would create a fourth asset, which would represent a single unit of common stock. Implementing a smart contract solution, a final value string is manufactured upon presentation of all three alternate separate strings.

Assuming the share of Uber is separated into three strings of value, the resultant model would be one whereby the metacrypto was traded for any cryptocurrency available on the

exchange, against which the unit of non-value metacurrency traded on the unregulated side of the exchange. There would be no requirement to be an accredited investor to purchase the unit of non-value that represents the purchase currency for which Uber value could be obtained.

Once the unit of Uber non-value is obtained via purchase via the unit using the metacrypto, it can be carried across to the regulated side of the exchange where it can purchase either one of the three value strings of the Uber share, represented in three separate tokens according to their respective categories.

Via smart contract deployment, a single purchaser can then subsequently use all three tokens combined to convert to a single common share of Uber represented as a metacurrency.

### **VIII: Metacurrency Retail Consumer Securitisations**

Perhaps most compelling characteristic of all about metacurrencies, aside from the immediacy of their structures in bringing exciting and hard-to-obtain private companies such as Uber, Air BnB and Lyft to market prior to the event of any formal public offering of the shares is the reverse: the openness of such instruments in terms of providing immediate peer-to-peer oriented finance to owners of retail luxury goods.

The potential for luxury consumer goods securitisations alone is almost hard to believe but nevertheless, lying in wait for metacurrencies to sweep up the way the MP3 player swept across the emergent working populations of mainland Chinese consumers in the 90s and 00s. Especially at the high-end of the luxury and collectable goods market there is enormous value with no practical financing mechanism yet in place to feed the latent demand.

Global aggregate luxury goods sales in 2017 came to \$212 billion, with the top 10 brands making average sales per brand of \$2.1 billion each. At the current growth rate of 6.8% per annum, that is approximately \$3 trillion to \$5 trillion over the next decade that will be spent on *new* luxury consumer goods.

Clearly, the potential for securitisations of such products are monstrous. Household debt varies by nation, with Scandinavia coming in at the top of the range, approximately 120% of national gross domestic product (GDP) and the south Asian and south American countries coming in at the bottom range with about a tenth of that. On average, households assume debt of roughly 55% per household.

It is safe to say that there is at a very minimum over \$1 trillion in new high-end luxury retail goods securitisations business that will evolve in metacurrency form in one shape or another over the coming decade.

Assuming a roughly 50% interest rate on such securitisations and accounting for approximately 10 times the amount of existing luxury consumer retail goods in supply today with 60% or so of equivalent annualized value, that is a bare minimum in potential net interest payments of \$6 trillion over the next decade, or \$600 billion a year in potential interest payments. In other words, there are three times the amount of interest payments on luxury consumer goods securitisations potentially lying in wait than sales themselves.

The way in which luxury consumer goods securities might be structured is not dissimilar to how other securitisations would be. Fractional assets would be constructed around categories of consumer goods (e.g. watches, wines, cars) and brands of such consumer goods categories (e.g. Rolex, Chateau La Tour, McLaren). These categories and classes would ultimately feed into a master metacurrency which would represent all the luxury consumer goods combined.

What is especially interesting about the consumer securitisations is how the meta crossnote doubles up as a substitute for the combined category meta. Because securitisations of consumer items are predominantly credit-based, the capital value of the credit interest payments including the default rates that emerge within such securities are all bundled into the non-value unit of payment (although they could and will most likely represent actual sales and delivery contracts for the underlying items, which may be interesting to retailers in particular where discounts are involved for quantity securities for delivery are concerned).

In other words, if watches pay 50% interest per year in category I metas, cars pay 40% per year in category II metas and wines pay 60% per year in category III metas, then the purchase price of the meta cross note that is used to buy each would necessarily be round about par value of all the metas plus 50% average interest payments  $((50\%+40\%+60\%)/3)$ .

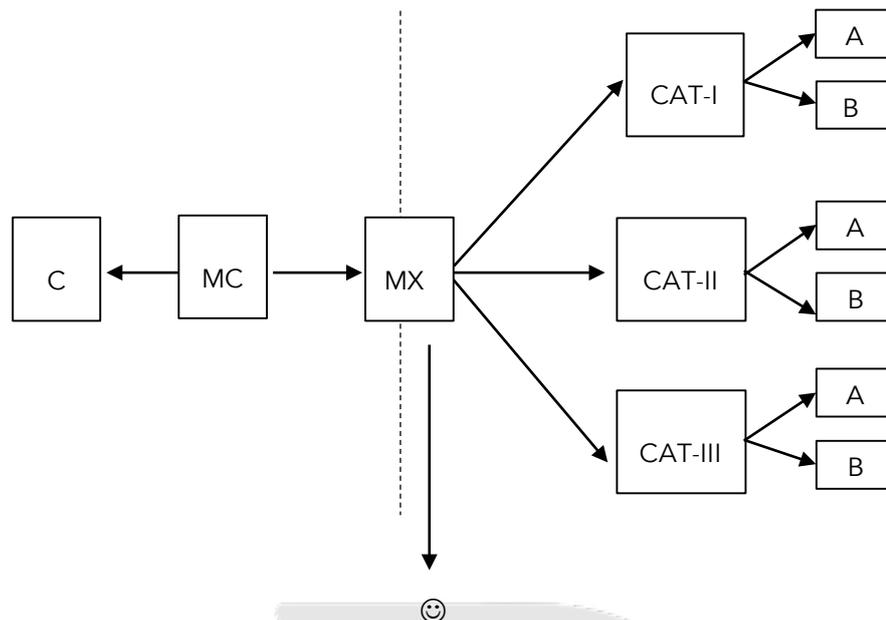
Rates of interest are likely to be much higher than average due to the overall demand for such securitisations. The high rates of interest combined with direct flow of credit capital to an untapped fledgling multi-trillion-dollar market is likely to have a dual growth-on-spending effect among middle class families worldwide the likes of which are hard to understate. Specifically, families will have access to higher and more immediate sums of cash than ever before at the same time as being able to spend and securitise such cash on relatively instant demand. As we imagine a future digital economy, with an economic paradigm wherein spending, saving and reinvestment is an almost instantaneous sequence of events, this chain of rapid-fire value configuration upon value reconfiguration is what we surely mean when we talk of an *Internet of Things*.

*That is all very well, but how would such items be securitised?* you are probably asking yourself. Quite simply, by the insurance assessment of the items.

In order to securitise any item, a borrower would simply upload three documents: their KYC documentation (which is essential to being on the marketplace anyhow), the certificate of authenticity of the item concerned with relevant category/serial numbers etc., and their latest insurance assessment of the item (that being not more than something like 3 months old and annually renewed).

The item would instantly be funded by a pool of capital obtained from the initial note offering of the meta crossnote for the luxury goods securitisation initiative or perhaps from the category meta (e.g. watches) as the market evolves. The presence of a verified insurance claim offers the lender immediate security as to the position of the capital at risk, while offering the borrower the opportunity to use, wear and retain the securitised item during the credit period as for any house on mortgage or car loan deal. This will effectively allow individuals to use their newly-purchased items to consistently generate new capital.

FIG 7: CONSUMER GOODS SECURITISATIONS METAS



Needless to say, there must be an upper limit in place here or else the consequences are a market where debt is stacked up high upon debt, which tends to have socially corrosive effects on an economy. Limits therefore might be put in place on a discretionary or automated basis.

Despite the potential risks of enhancing the consumer goods credit market, it is probable that the upside of increased cash-flow worldwide, better savings rates with similar level of risk than is currently obtainable from global financial institutions and the relatively instantaneous financing modelling of such innovations will have tremendous positive effects for families and individuals worldwide who are labouring day and night to make ends' meet.

### Conclusion: An Additional Dimension of Value

Metacurrencies are going to be a mainstay feature of modern economics. They are the digital assets that more than any other, are here to stay and revolutionize the way we spend, save and live. Metas are also the basis upon which an Internet of Things (IOT) economy will necessarily be founded, or else such an economy stands no chance of ever being built at all in any practical sense.

Simply put, the current consumer financing and investment landscape is broken, and has been for a considerable length of time.

Consumers do not understand why it takes credit institutions so long to grant them access to a few thousand dollars of liquid capital that the lenders withhold on their bloated balance sheets into the trillions of dollars collectively, or why the most prominent venture capital fund managers are the only ones who are able to access early-stage high-growth investments such as Uber while they are left holding the bag on the dead over-the-counter clean energy

company they are forced to buy off stock exchanges for what turn out time and again to be persistently inflated valuations.

The role of cryptocurrencies was to give the little guy a new payment tool he could utilize without regard for prejudice or judgement of any kind.

The role of metacurrencies is an evolutionary step on from this noble aim: it is to give that little guy the same sort of access to cash, credit, interest, returns and general economic activity that before now, only the very wealthiest and most established families and financial institutions were able to participate in.

The expansion of the financing market globally via metacurrencies will in this way be one of the greatest events in financial history, with some of the most profound social consequences long-term.

For synchronous events to happen with no value wastage, all value must be apportioned into separate categories. Whenever your watch speaks to your microwave, there is a data transmission in that activity wherein the watch and the microwave are in communication with one another.

At the moment they are in communication, something happens to value: it is either spent (when the microwave is turned on) or it is discarded (at the moment the value is turned off). This dichotomy of value and non-value that is represented in the transaction is the same dichotomy we find in the cryptocurrency versus security debate.

On the one side, there is a tremendous non-value increase, and on the other, a somewhat uncertain prospect for further value utility.

The way in which we segregate and apportion the non-value and the value components of the economy is fundamental to the way in which we succeed at effectively creating a working model of the IOT economy. Thus, metas are the underlying 3-dimensional value representation for the IOT economy.

That they are built on what appear to be standard Blockchain platforms but that they simultaneously enable a much greater degree of value transmission and effect is emblematic of their increased dimensionality.

Think back to gold, a 0D currency. The minute that Julius Caesar used it and other metals to mint coins for the general public to spend was the minute that he was able to raise an army, conquer a continent and start a religion.

The only tacit expectation of the author is that the reader hopefully finds a rather more productive means of value engagement of this additional dimension of currency than did the first Emperor of the Holy Roman Empire find in his own.

## IX: Appendix

### REFERENCES

1. [Goldman Sachs / The Internet of Things: Making sense of the next mega-trend \(page 5-6\)](#)
2. [Deloitte / Global Powers of Luxury Goods 2017 \(page 16-17\)](#)

Note: All other models, diagrams and references are entirely original and not lifted from any outside sources. In such instances, such as with the 3D currency models, copyright law applies.

### ABOUT CHEN QING

Chen Qing is a celebrated venture capitalist, real estate developer and business owner in the Asia-Pacific region and in Mainland China where he lives for most of the year. He is considered one of the most astute investors in financial services, fintech, energy and industrials companies in particular and has been described by mainland China's business publications as "the Godfather of private equity" and the "only major non-partisan financial player in Asia ... one of the people who most resembles the ideal of the contemporary Chinese Dream".

His investments comprise majority stakes in some of the world's largest and most profitable companies, expanding from his more typical niche into mining, hydropower and manufacturing companies more recently. He is the part-owner of a newly-discovered gold mine outside of Beijing with over 400 tons of gold and copper reserves, making it the largest known mine in mainland China today. In 2014, via a mutual friend Mr. Chen became invested in fintech companies, two of which would later become the world's first bank grade trading providers for commodities and precious metals.

Thus began Mr. Chen's fascination with innovative financial solutions and by association with all disruptive Blockchain applications. He is a personal friend of numerous high-ranking and senior government and religious leaders, among whom principally he counts his affectionate respect and gratitude for His Holiness Gyalwang Drukpa.

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